

PEND OREILLE COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. Controls Over Cash Receipting Should Be Strengthened At The Public Works Department

During our review of the cash receipting system at the Public Works Department, a system which collected in excess of \$2.9 million during 1995, we noted the following internal control weaknesses:

- a. No established written policies and procedures for the cash receipting process.
- b. Receipts are not consistently issued for all moneys received.
- c. Public funds are not being deposited intact within 24 hours of receipt as required by state law.
- d. Cash/check composition is not consistently recorded on receipts.
- e. The use of blank Redi-form receipts. The use of "Redi-form" receipts increases the risk that errors and irregularities could occur and not be detected in a timely manner because the assignment of the numerical sequence to these receipt forms is not under the division's control. Without numeric control over receipts, there can be no assurance that all receipts are recorded and deposited.
- f. Checks are not restrictively endorsed upon receipt.
- g. Established procedures do not ensure that the proper fees are collected when services are rendered as required.

RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four consecutive hours.

Weak internal controls over cash receipting increases the risk of theft.

These conditions have occurred because the Public Works Department has not implemented strong internal controls over the cash receipting system. Also the county does not have written procedures from which to establish and maintain proper control over county cash receipting.

We recommend the Public Works Department strengthen internal controls over the cash receipting system. These controls should include:

- a. Establishing written policies and procedures for cash receipting.
- b. Issue cash receipts for all funds collected.
- c. Deposit intact, within 24 hours of receipt, all public funds received.
- d. Record the cash and check composition on receipts to help assure that all receipts are recorded and deposited.
- e. Replace blank Redi-form receipts with official county prenumbered receipts.
- f. Restrictively endorse all checks upon receipt.
- g. Collect the appropriate fees at the time the service is rendered.

2. Internal Controls Should Be Strengthened At District Court

During our audit of the District Court's cash receipting system which collected more than \$400,000 during 1995, we noted the following internal control weaknesses:

- a. There is an improper segregation of duties. The same person receipted cash, created time pays, and posted adjustments to daily receipts and accounts receivable files in the District Court Information Systems (DISCIS). These are incompatible duties.
- b. Cashiers are given improper access to the DISCIS system. Cashiers have been assigned the accountant user identification which allows them special privileges of completing overrides, creating time pays, and receipt reversals.
- c. DISCIS created audit reports are not generated or reviewed. These audit reports provide information on receipts and adjustments which validate recorded receipts.
- d. The court bank account was not reconciled for over four months.

RCW 43.09.200 states in part:

The accounts shall show the . . . documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction
. . . .

The court has not implemented strong internal controls over the cash receipting internal control system.

Inadequate internal controls over cash receipting increases the court's exposure to theft.

We recommend that the policies and procedures be established and implemented to strengthen the cash receipting internal control system. We further recommend that system generated audit reports be produced, monitored, and retained.

3. Internal Controls Over Cash Receipting Should Be Strengthened At The Office Of County Clerk

During our audit of the County Clerk's receipting system which collected more than \$208,000 during 1995, we noted the following internal control weaknesses:

- a. There is an improper segregation of duties. The same person created receivables, receipted funds and posted the receipts to the Judicial Accounting Sub-System (JASS).
- b. No independent review of past due accounts is completed.
- c. Proper documentation for all adjustments to accounts receivable was not maintained.
- d. Audit adjustment reports have not been consistently generated or reviewed. These audit reports provide information on receipts and adjustments which validate recorded receipts.

RCW 43.09.200 states in part:

The accounts shall show the . . . documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction
. . . .

These conditions exist because there are no written policies or procedures to implement strong internal controls. Additionally, there was staff turnover which contributed to these weaknesses.

Inadequate internal control over cash receipting increases the court's exposure to theft.

We recommend that the policies and procedures be established and implemented to strengthen the cash receipting internal control system. We further recommend that system generated audit reports be produced, monitored, and retained.

4. Controls Over Cash Receipting Should Be Strengthened At The Sheriff's Department

During our review of the cash receipting system at the Sheriff's Department, a system which collected in excess of \$170,000 during 1995, we noted the following internal control weaknesses:

- a. No established written policies and procedures for the cash receipting process.
- b. Receipts are not consistently issued for all moneys received.
- c. Public funds are not funds being deposited intact within 24 hours of receipt as required by state law.
- d. Cash/check composition is not consistently recorded on receipts.
- e. The use of blank Redi-form receipts. The use of "Redi-form" receipts increases the risk that errors and irregularities could occur and not be detected in a timely manner because the assignment of the numerical sequence to these receipt forms is not under the division's control. Without numeric control over receipts, there can be no assurance that all receipts are recorded and deposited.
- f. Checks are not restrictively endorsed upon receipt.
- g. Not all funds are being deposited, intact, to the county treasurer. Cash receipts are being deposited and disbursed from a revolving checking account.
- h. The same person receipts money, deposits this money into the revolving checking account, and reconciles the bank statements with no supervisory oversight. These are incompatible duties.

RCW 43.09.240

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four consecutive hours.

Weak internal controls over cash receipting increases the risk of theft.

These conditions have occurred because the Sheriff's Department has not implemented strong internal controls over the cash receipting system. Also the county does not have written procedures from which to establish and maintain proper control over county cash receipting.

We recommend the sheriff strengthen internal controls over the cash receipting system. These controls should include:

- a. Establishing written policies and procedures for cash receipting.
- b. Issue cash receipts for all funds collected.
- c. Deposit intact, within 24 hours of receipt, all public funds received.
- d. Record the cash and check composition on receipts to help assure that all receipts

are recorded and deposited.

- e. Replace blank Redi-form receipts with official county prenumbered receipts.
- f. Restrictively endorse all checks upon receipt.
- g. Deposit all public funds with the county treasurer prior to disbursing these funds.
- h. Segregate the duties of cash collecting, depositing, and reconciling.

5. Controls Over Fixed Assets Should Be Improved

During our review of the county's fixed assets internal control system we noted the following weaknesses:

- a. The county has not performed a comprehensive physical inventory for at least two years.
- b. The county does not have policies and procedures to ensure items identified as missing are investigated in a timely manor.
- c. The county does not maintain a comprehensive listing of all fixed assets owned.
- d. The county does not consistently tag all fixed assets purchased.

Revised Code of Washington (RCW) 36.32.210 states in part:

- (1) A full and complete inventory of all capitalized assets shall be kept
. . . .

While improvements have been made to the fixed asset internal controls system during the past year, the county has not implemented strong enough controls over fixed assets.

As a result of not conducting the inventory, the county is unsure of the location of some fixed assets and the risk of loss, misappropriation, or misuse of county assets has been increased.

We recommend the county develop and implement policies and procedures to ensure fixed assets are adequately safeguarded.